



Central National Bank &
Trust Company of Enid
ONE CENTRAL SOURCE

November 19, 2004

Ms Jennifer Johnson
Secretary of the Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

Re: Docket No. R-1210

Central National Bank is pleased to provide comments in response to the Federal Reserve Board's request for comment on proposed changes to Regulation E. CNB is a \$370 million, full-service bank located in a rural community in northwest Oklahoma. We are the largest locally owned financial institution in our city.

Payroll Cards Added to the Definition of "Account"

The proposed rule would amend the definition of "account" to include payroll cards that are established directly or indirectly by an employer on behalf of a consumer for the purpose of providing salary, wages or other employee compensation on a recurring basis.

Our institution is opposed to amending the definition of account in this way. By amending the definition to include payroll cards, the institution would be required, among other things, to provide periodic statements.

We have developed a stored value system that includes a card that can be used as a payroll card. A "pooled funds" account with separate accounting has been established at our institution. Individual bank accounts are not required for each employee. Statements of cardholder transactions are available at all times on-line or through an IVR free of charge when the cardholder enters his password or PIN. While we receive information on the employees, the employees are not required, nor would they have motivation for keeping a current address on file with us. The target market is a largely immigrant workforce, of which a portion is transient.

While we certainly agree that each cardholder should have access to his transaction history and be advised of fees and balances, requiring a financial institution to mail periodic statements (unless the customer agrees to receive the statement electronically) imposes an undue burden and will serve to curtail the developing stored value card industry. It is more economical for an institution to offer information online or through an IVR thereby keeping costs of payroll card transactions low for the unbanked population who are the consumers that most need a secure way to handle their money.

According to 205.17, an institution can provide periodic statements electronically; however, there is a required notification to the consumer. While the users of the payroll cards may have access to the Internet through a work computer or a library, they may not have a permanent email address where they can receive the notification. Since the transaction history is available all of the time on a real time basis, reverting to a periodic statement which would have to be mailed only delays receipt of the information to the Cardholder. The same is true with an IVR system. Through the IVR, a cardholder can request a paper statement at any time, but in order to notify them that each statement is available, per the regulation, a paper document would have to be mailed, obviously increasing the cost of the delivery of the service to the consumer.

Electronic transactions are enabling access to funds more quickly, in a cost-effective way. The payroll portion is loaded onto the card and cardholders are given immediate access (without the high cost of check cashing fees.)

While we already concur and make it a practice to provide most of the protections of Reg E to our cardholders through our procedures and disclosures, we think that any new revisions of Reg E should take into account how important it is to maintain the benefits of electronic transactions including an electronic statement. Requiring that paper notifications or statements be mailed thwarts the development of this very useful tool to unbanked consumers.

Recommendation

If the proposed definition of "account" is modified per the proposed changes, then we would respectfully suggest that language be added to make statement information accessible through alternate methods such as a secure web-site or an IVR telephone system, without advance notification to the customer, thus retaining the efficiencies of electronic commerce. For example, when the employees receive their instruction packets with their first payroll card, they can be advised how to access a statement of transactions anytime they want, as many times as they want, with no applicable fees or charges.

Compliance Date

Additionally, the proposed changes have a six- month compliance date after adoption. Because of the nature of the changes, we would ask that the compliance date be moved out 9 to 12 months to allow for programming changes.

Thank you for the opportunity to comment.

Sincerely,

Mickie L. Giberson
Compliance Officer